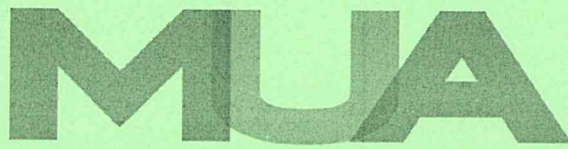


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

FIN 313 : ASSET MANAGEMENT

DATE: 5TH DECEMBER 2016

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

The following portfolios are being considered for investment; some statistics for the most recent year are presented. During this time the risk-free rate was 5%.

Portfolio	Return (%)	Beta	σ (%)
P	15	1.0	5
Q	20	1.5	10
R	10	1.6	3
S	17	1.1	6
Market	13	1.0	4

Required:

- Compute and interpret the Sharpe measure for each portfolio and the market portfolio
(7 marks)
- Compute and interpret the Treynor measure for each portfolio and the market portfolio
(8 marks)
- Compute and interpret the Jensen measure for each portfolio and the market portfolio
(10 marks)

QUESTION TWO

- Describe five (5) ways in which Asset Management is beneficial to investors
(10 marks)
- Define a revolving line of credit
(1 mark)
- Briefly explain any two (2) advantages of revolving line of credit
(4 marks)

QUESTION THREE

- Explain the meaning of a lease contract
(2 marks)
- Alpha Ltd, a construction company has been awarded a building tender and are looking to acquire new equipment for their work, the project manager is considering whether to buy or lease the equipment, explain four factors she needs to consider in making this decision
(8 marks)
- Name five Asset Management companies in Kenya
(5 marks)

QUESTION FOUR

- a) Briefly discuss six (6) challenges faced by Asset Management Companies in Kenya (12 marks)
- b) Highlight any three (3) disadvantages of investing in mutual funds (3 marks)

QUESTION FIVE

Discuss five (5) types of collective Investment schemes (CIS) (15 marks)

QUESTION SIX

- a) In the course of their duties, fund managers are faced with certain risks which may negatively impact the outcome of fund management, explain four (4) types of possible risks in fund management (8 marks)
- b) Describe a defined contribution pension plan (2 marks)
- c) Evaluate five (5) main reasons why most Asset Managers are moving from defined benefit schemes to defined contribution schemes (5 marks)

